



Committee On Finance

Max Baucus, Ranking Member

NEWS RELEASE

<http://finance.senate.gov>

For Immediate Release

December 3, 2006

Contact: carol_guthrie@finance-dem.senate.gov

BAUCUS SPEAKS ON TOMORROW'S US-KOREA TRADE NEGOTIATIONS

Ambassador Schwab, Korean Ambassador Lee join Baucus in Gallatin Gateway, MT

Washington, D.C. – U.S. Senator Max Baucus (D-Mont.), Ranking Democrat on the Senate Finance Committee, will speak this morning at the Chamber of Commerce in Gallatin Gateway, MT regarding trade relations between the U.S. and Korea. The two nations will commence a fifth round of negotiations on a bilateral free trade agreement on Monday in Big Sky, Montana. Also attending the brunch were United States Trade Representative Susan Schwab and Korean Ambassador Lee Tae-Sik, both of whom are also in Montana this weekend. The text of the Senator's remarks follows here:

Piloting U.S.-Korea Trade Talks to Success"

Remarks by Senator Max Baucus

What a terrific way to launch the Big Sky Round of U.S.-Korea Free Trade Agreement talks. Welcome to Susan Schwab, our fearless and talented United States Trade Representative. Welcome to Ambassador Lee, Korea's dynamic emissary to the United States. Welcome to Wendy Cutler and Ambassador Kim, who as chief negotiators for the United States and Korea, are the real stars of this week's show.

I would also like to thank the Big Sky Round host committee, who volunteered to plan and organize this negotiating round. In particular, I would like to thank Marne Hayes and Anne Borer, both of whom have dedicated their energy and countless hours of their time to plan this event and those throughout the week.

I take enormous pleasure in welcoming so many friends to Montana this morning. Our Korean friends have flown over six thousand miles to be here. Ambassador Susan Schwab and her negotiating team have flown a few thousand themselves. Many of my Montana friends are here as well, some of whom have driven hundreds of miles.

I believe that a group this diverse comes together for a reason. I don't just mean the U.S.-Korea Free Trade Agreement many of you will negotiate this week. To me, this is a gathering decades in the making.

-- more --

Many of you may know that ties between Montana and Korea have endured for over a century. When many Koreans were forced from their homeland in the early 1900s, many found stability, prosperity, and a home in Montana. In the 1920s and 1930s, when Koreans tried to throw off the shackles of occupation, Koreans in Montana organized to help the effort. It is even reported that South Korea's first president, Syngman Rhee, visited Montana's Korean population to gather support. Thirty years later, when America joined 13 other nations to counter North Korean aggression, nearly 20,000 Montanans volunteered. 5,000 served in the combat zone and 350 lost their lives.

These decades formed a strong bond between Koreans and Montanans. A bond that was cast in adversity, when misfortune pursued us. But it is also a bond that endures today, when we seek better fortunes together.

I'm confident that this bond will help us meet challenges and seize opportunities. Those that come this week. Those that come in years ahead. In fact, when you face a challenge – when you want to get something done – Montanans and Koreans have a pretty good track record.

A couple of years back, Montana ranchers were exporting a lot of beef and live cattle to Asia. We could hardly keep up with demand. So some ranchers – thinking big like Montanans do – decided the buyers should fly a 747 into Great Falls, load it up with live cattle, and fly them to Asia.

Well, the Japanese came. They looked at the runway, pictured the world's largest plane filled with two hundred of Montana cattle, and turned us down. The load would be too heavy. The runway too short.

But then the Korean buyers came. They looked at the same runway. They pictured the same two hundred cattle in the same kind of plane. But they decided we could do it. Together, Koreans and Montanans, made the impossible – possible.

I can think of no better analogy for the free trade agreement we have before us today. Then as now, the payload is heavy – a free trade agreement between two world economic heavyweights. With just a few months left on this administration's fast-track authority to negotiate trade agreements, the runway is also short. With growing unease over trade, we could even say the weather is stormy.

We all know what needs to be done for this agreement to lift off. And we know we have a very short time left to address key challenges.

First and foremost, this agreement must be accompanied by full and complete access to all U.S. beef and beef products consistent with international standards. That means bone-in and boneless beef from cattle regardless of age. We made some progress in September on boneless beef under 30 months, but even that agreement failed to ensure smooth resumption of trade. I was very disappointed to learn that just prior to these negotiations, Korea has rejected two shipments of U.S. beef. This sends a bad signal about Korea's willingness to follow sound science and address this issue in a meaningful way. We must secure an agreement based on internationally accepted standards. Simply put, anything less is a deal-breaker.

-- more --

Second, this agreement must secure an end to tariff and non-tariff barriers for U.S. automobile exports. This, too, is a deal breaker. Korean cars are already commonplace in the U.S. auto market. More than 700,000 Korean cars were imported by the United States last year. American cars, on the other hand, are kept out of the Korean market by a web of protectionist policies. A web so effective, that the United States exported just under 4,000 cars to Korea last year. American auto companies can compete in any market. But they need a level playing field.

Third, pharmaceutical market access remains a major obstacle. Korean government pricing and reimbursement policies are notoriously opaque. I was disappointed to learn that instead of making progress, Korea took a major step backward this year, announcing a major pricing policy shift, without consultation or advanced notice. This sends a very bad signal at a very critical time in the negotiations.

Fourth, Korea is positioning itself to be a major services and e-commerce hub in Northeast Asia. A Free Trade Agreement with the United States will go a long way in helping Korea achieve this goal. That is why it is ever so critical for Korea to lift remaining restrictions – even if they are not currently enforced – in key services sectors like insurance, banking, express delivery, gaming, and telecommunications.

These are just a few of the daunting challenges that our negotiators face. Yet we should not be discouraged. After all, when I first called for U.S.-Korea free trade agreement negotiations seven years ago, I did not do so because it was easy. In fact, I called for it because it was hard.

Some of the most difficult things in life have the biggest payoffs. This challenge is no different. I know that, negotiated successfully, a U.S.-Korea free trade agreement will pay enormous dividends. This is true for the United States, for Korea, and for my home state of Montana.

For Montana's farmers and ranchers, this agreement has great potential. For Montana's beef exporters, a free trade agreement can eliminate Korea's non-science based import restrictions and reduce Korea's 8 to 40 percent tariffs -- thereby opening a market valued at more than \$800 million. For Montana's barley and malt barley exporters, an agreement can free trade from Korea's restrictive quotas and high out-of-quota tariffs. For Montana's wheat exporters, a free trade agreement will solidify access to an already important market and will give our wheat producers a critical leg up over Australian and Canadian competitors.

Agriculture is not the only sector of Montana's economy that stands to benefit from a trade agreement with Korea. Some of Montana's most important exports to Korea are in the chemical and minerals sectors, which currently face average tariffs of 6.9 and 5.8 percent respectively. Reduction of these and other barriers to manufacturing and services trade will help Montana's dynamic small manufacturing and services exporters – like Billing's Liquid Engineering and Bozeman's RightNow Technologies – that are already making inroads in Asia.

The obstacles to this agreement are very real, and so are the many benefits. But in my mind I have the picture of the Korean 747 flying out of Great Falls a few years ago. An achievement that took ambition, imagination, and a good bit of courage.

But the reason I am most confident that this agreement – like that plane – can take flight, is that I know who is in the cockpit and in the control tower. Ambassador Schwab, Wendy Cutler, and their team are some of the finest, most dedicated public servants I've known. With them piloting this agreement and charting its course, I am confident we will see “lift off” and success.

###